TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 2265 – SB 3485

February 7, 2012

SUMMARY OF BILL: Establishes the "Sweat Equity Homestead Program," which provides a twenty-five percent discount on the sale of real estate acquired at delinquent tax sales to adjoining property owners, in exchange for sweat equity. Defines "sweat equity" as skilled or unskilled labor contributed to increase the value of real property, including, but not limited to, cutting, cleaning, improving, or repairing the property. Requires single person households to contribute at least 50 hours and multi-person households to contribute at least 100 hours of sweat equity.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue – Exceeds $100,000/Permissive

Other Fiscal Impact – There could be eventual increases in local government revenue occurring as a result of subsequent property tax reassessments for properties improved under sweat equity agreements. Any such increase is dependent upon several unknown factors and cannot be quantified for the purpose of this fiscal note.

Assumptions:

- Each county or municipality choosing to participate in the program will incur a 25 percent reduction in proceeds realized from each delinquent tax sale made to an adjoining property owner that agrees to the sweat equity requirements proposed in this bill.
- The net fiscal impact of this bill is dependent upon several unknown factors such as the number of local governments that will participate in the program, the number of delinquent tax sales occurring in each participating jurisdiction where adjoining property owners enter into sweat equity agreements, the extent of property values prior to any price adjustments, the extent to which acquiring property owners rehabilitate purchased properties, the timing of improvements made to acquired properties, and the extent to which participating local governments can reassess purchased property following rehabilitation.
- The permissive decrease in local revenue as a result of reduced-price delinquent tax sales is unknown due to the various unknown factors; however, any such decrease is reasonably estimated to exceed $100,000 per year statewide.

- There could be an eventual secondary increase in local revenue as a result of increased property assessments for the properties rehabilitated by acquiring sweat-equity purchasers. However, such impacts may not occur for many years following the delinquent tax sales and such impacts would be dependent upon the extent of improvements to property, if any, and subsequent reassessments.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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